

Message Text

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PAGE 01 COLOMB 00878 120852Z
ACTION NEA-10

INFO OCT-01 ISO-00 SSO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
USIE-00 INRE-00 ABF-01 STR-04 CEA-01 AGRE-00 AID-05
COME-00 EB-08 FRB-03 INR-07 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 PM-04 H-01 L-03 NSC-05
PA-01 PRS-01 SS-15 /083 W
-----120902Z 009733 /11

O 120630Z MAR 77
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC NIACT IMMEDIATE 6882
INFO AMEMBASSY NEW DELHI IMMEDIATE

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DEPT FOR NEA/INS-THIBAUT (FOR ACTION AFTER 0800 HOURS LOCAL TIME
MARCH 12TH)

NEW DELHI FOR FINATT

E.O. 11652: N/A
TAGS: EFIN, CE
SUBJECT: SRI LANKA CONSIDERING REVALUATION OF RUPEE

BEGIN UNCLASSIFIED. MARCH 12 EDITION OF CEYLON DAILY MIRROR REPORTS
THAT FOLLOWING EXTRAORDINARY CABINET MEETING LATE MARCH 11, THERE IS
STRONG SPECULATION OVER POSSIBLE REVALUATION (THAT'S RIGHT, RE-
VALUATION) OF SRI LANKA RUPEE BY ABOUT 20 PERCENT. ACCORDING TO PRESS
REPORT, PURPOSE OF REVALUATION WOULD BE TO REDUCE PRICE OF IMPORTS.
END UNCLASSIFIED

2. BEGIN LOU. RELIABLE SOURCE, WHO WAS AT CABINET MEETING, TOLD
DCM EVENING OF MARCH 11 OF MINISTERS' DECISION. ON MORNING OF MARCH
12, HOWEVER, EMBOFF SPOKE WITH FINANCE SECRETARY LAL JAYAWARDENA
WHO WOULD NOT CONFIRM REVALUATION DECISION BUT PROMISED TO KEEP
EMBASSY INFORMED.

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3. IF RUPEE ACTUALLY REVALUED, MOVE VERY LIKE WAS IDEA OF
FINANCE MINISTER FELIX BANDARANAIKE WHO IS TOTAL POLITICAL ANIMAL
BUT NOT MUCH OF AN ECONOMIST. COST OF LIVING, WHICH ROSE AN
ESTIMATED 35-40 PERCENT IN 1976, WILL BE MAJOR CAMPAIGN ISSUE
IN COMING ELECTIONS, AND GSL HAS BEEN IMPORTING LARGE QUANTITIES
OF FOOD AND TEXTILES IN EFFORT TO BRING DOWN PRICES. GIVEN

DEPRESSED STATE OF SRI LANKA'S ECONOMY AND SEVERE BALANCE OF PAYMENTS PROBLEMS, REVALUATION SEEMS A BIZARRE WAY TO FIGHT INFLATION. AS MOST IMPORTED STAPLE CONSUMERS GOODS ARE SOLD THROUGH GOVERNMENT OUTLETS AT CONTROLLED PRICES, COST OF THESE GOODS COULD LOWERED THROUGH ADDITIONAL SUBSIDIES WITH FAR LESS COST AND DISRUPTION TO ECONOMY THAN REVALUATION. EVEN AT PRESENT PRICES, BREAKDOWNS IN DISTRIBUTION SYSTEM HAVE MADE IT DIFFICULT TO MEET DEMAND. LOWER DOMESTIC PRICES WOULD ADD TO DEMAND, DISTRIBUTION PROBLEMS, AND LEVEL OF IMPORTS. REVALUTATION WOULD ALSO REDUCE RUPEE EARNINGS OF EXPORTERS. THIS WOULD PROBABLY HAVE LITTLE OR NO IMMEDIATE EFFECT ON TEA AND RUBBER EXPORTS, AS EXPORT PRICES FOR THESE PRODUCTS HAVE INCREASED CONSIDERABLY IN PAST YEAR. COCONUT AND NONTRADITIONAL EXPORTS, HOWEVER, COULD WELL SUFFER.

4. NET EFFECT OF REVALUATION WOULD BE TO WORSEN SRI LANKA'S ALREADY POOR BALANCE OF PAYMENTS SITUATION WHILE MAKING POTENTIAL SOURCES OF FINANCING MORE WARY.

5. EMBASSY WILL REPORT FURTHER AS MORE DETAILS BECOME AVAILABLE.

END LOU

REED

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RUPEE, REVALUATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB00878
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770085-0974
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770366/aaaacftg.tel
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cb9a24b9-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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SAS ID: 3128084
Secure: OPEN
Status: NATIVE
Subject: SRI LANKA CONSIDERING REVALUATION OF RUPEE BEGIN UNCLASSIFIED. MARCH 12 EDITION OF CEYLON DAILY MIRROR REPORTS THAT FOLLOWING EXTRAORDINARY CABINET MEETING LATE
TAGS: EFIN, CE
To: STATE
Type: TE
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